04 August 1988

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NOTE TO:

FROM:

SUBJECT: Visit to Federal Express

Here are my notes from the trip to Memphis that I shared with another OIT'er.

I accompanied Ed Maloney and Jim Taylor on their recent visit to the corporate headquarters of Federal Express in Memphis. I find such trips to be very instructive and would like to share some of what we learned.

The Agency has a lot in common with leading companies in the private sector--especially in terms of information technology--and Federal Express is no exception. In two areas, however, Federal Express is considerably ahead of us. They certainly understand what customer service is all about. They have also succeeded in getting their technologists to think strategically in business terms.

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In a couple of ways, their environment is very different from our's. Everybody at Federal Express knows what business they're in. The ability to focus the entire organization on a single pur- pose is quite an advantage. From the information technology per- spective, most of their data is corporate data. This has allowed them to remain far more centralized than many other large organi- zations.

The Senior Vice President of the Information and Telecommunica- tions Division reports directly to the CEO. He has seven vice

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presidents reporting to him with conventional responsibilities
such as computer operations, telecom systems, etc. Some interest-
ing features of their organization:

-- They have a group called "Strategic Integrated Systems"
   which is charged with pulling together the efforts of the
   division and other players for strategic initiatives.
   This group struck me as sort of a program office with
   lots of dotted line connections into the organization.
   One can easily see the relevance to efforts such as Cor-
   porate Data.

-- They have another group called "Systems Integration"
   which is dedicated to overseeing quality assurance and
   change management. This group exercises considerable
   power over the rest of the organization--nothing is
   "rolled out" until they are convinced that everybody has
   signed up to the change. This firm control has helped
   Federal Express reduce the frequency of system changes by
   nearly an order of magnitude.

-- While there are separate groups for telecommunications
   systems and computer operations, the data center performs
   some common functions for both. For example, they have a
   single Help Desk in computer operations which dispatches
   technicians from both groups. It also appears that some
   aspects of the data network's configuration are managed
   by computer operations.

The obsession with customer service permeates Federal Express.
Their approach appears to have three elements--leadership focus,
measuring performance against goals at all levels, and providing
the people with the tools to do the job. While this is simply
good management, their implementation may hold some lessons for
us:

-- The Federal Express commitment to service is reflected in
   the extent to which management decisions are based upon
   performance against published goals. For computer opera-
   tions, service is measured in terms of the reliability
   and responsiveness of their systems. If there is a sin-
   gle outage of twenty minutes, the computer operations
   group fails to meet the service goal for the week. So,
   whenever a system fails, lights in the ceiling begin to
   flash, alarms sound, and teams descend upon the computer

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        room (they can't afford to wait for an inexperienced
operator to decide what to do). After twenty minutes of
downtime, the beepers carried by every manager go off.
Fail to meet the service goal, and nobody in the group
gets a raise.

        Can you imagine tying all SIS stipends to service goals?
Or better still, making step increases for all GS-13s and
above dependent upon whether the entire office meets its
service objectives?

-- Federal Express is serious about getting its technolo-
   gists close to the customer. Roughly half of its new
   professional employees spend their first six weeks deliv-
   ering packages--not riding around in trucks watching
   someone else deliver packages, but actually feeling the
   pressure out in the field. Managers are also required to
   use the systems that they develop (they call this their
   "Technical Diplomat" program). For example, a manager
   was sent to the training for a system supporting the com-
   pany's long haul truckers. He then spent a few days rid-
   ing in an 18-wheeler and having to use the system himself
   (and he was not allowed to call his programmers for
   help). When he found that the system was hard to use, a
   much more usable system was delivered quickly after his
   return.

        Can you imagine what would happen if every GS-15 and SIS
   officer was required to spend one day every couple of
   months working on the Service Desk?

   Federal Express has succeeded in getting its information tech-
nologists to contribute directly and strategically to the compa-
ny--a goal to which may other organizations aspire. Crucial to
their success was a vision from the top. Their CEO recognized the
potential of information technology and relentlessly demanded more
and more from his Information and Telecommunications division. He
was quoted as having said, "The movement of information is as
important as the movement of a package." Even so, getting the
technologists to begin thinking proactively was difficult. The
senior VP sees the focus on customer service as having heightened
awareness of the role of technology throughout his the division,
and thus contributing significantly to increased involvement in
the business. It also appears that they must have shaken a lot of
managers out of the tree before they built the kind of management
team that was desired.

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One topic I would have liked to explore further is how they deal with risks and failure. Senior management appears to be willing to take risks in new ventures, and there doesn't seem to be adverse repercussions if the gamble failed. But tread, however lightly, on any of the basic values of the company, and you're history.

During our visit, we chatted with many of their senior managers. Following our return, I called an acquaintance who is a first-line manager at Federal Express to find out if what we heard was true. According to him, it is, and he related several first-person stories to illustrate the degree to which systems programmers (the ultimate techies) had bought into the Federal Express ethos.

It was a day well spent.

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Federal Express Trip

Agenda 26 - 27 July

26 July

1805   Leave National Airport Northwest Airlines Flt 857

1925   Arrive Memphis International
        Federal Express will provide transportation to hotel

27 July

0900   FDX will provide transportation from hotel to FDX.

0910   FDX Corporate Technology Complex - demonstration
        of the Cosmos 2B, "Super Tracker", and tours of
        the FDX computer and call center.

1130   Luncheon

1300   Discussions with Messrs. Smith and Ponder.

1400   Overview Briefings - FDX Information and
        Communications Systems

1530   FDX will provide transportation to the Airport.

1604   Leave Memphis International Flt 854

1916   Arrive National Airport

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25 July 1988

MEMORANDUM FOR THE RECORD

SUBJECT: FDX Trip: 26 - 27 July

   On 26 July Mr. Jim Taylor, Executive Director, and Mr. Edward Maloney,
Director of Information Technology, will travel, via Northwest Airlines,
to Memphis Tn. to meet with Mr. Fred Smith, Chairman, President and
Chief Excutive Officer, FDX and Mr. Ron Ponder, Senior Vice President
for Information Systems.   A tour of FDX's Corporate Technology Complex
is planned for the morning of 27 July. After a luncheon, Messrs. Taylor
and Maloney will meet with FDX executives to discuss such topics as
financial justification,   strategic planning,   customer service and
customer satisfaction.   Following discussions with Messrs.   Smith and
Ponder FDX   Project Engineers will   brief FDX's   information and
communications systems.

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[redacted] Special Assistant to the Ex. Dir.. [redacted]
[redacted] , Executive Officer, OIT, and [redacted] Policy and
Planning Officer, OIT will accompany the Executive Director and Director
OIT to Memphis.

   FDX will provide transportation from Memphis International Airport to
the Memphis Airport Hilton Inn (phone (901) 332 - 1130) on 26 July. FDX
will also provide transportation from the hotel to FDX and from FDX to
Memphis International Airport on 27 July.   Jan, Mr. Ponder's Executive
Secretary will act as an emergency point of contact at FDX.   Jan can be
reached at (901) 395 - 3363.

   Details regarding flight schedule,   hotel accomodations and agenda
follow:

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